

Edwards,Michelle

From: Elliott,Earl
Sent: Tuesday, August 16, 2016 4:02 PM
To: Nation,Todd; Azar, George; Neil Garrison; Nasser,Karrum; Crossen,Martha; Auler,Amy; Don Morris; DeBaun,Curtis
Cc: Edwards,Michelle
Subject: Fw: WWU DEBT SERVICE COVERAGE CALCS
Attachments: 0596_001.pdf

FILED

AUG 16 2016

From: contact@sackrider.com <contact@sackrider.com>

Sent: Wednesday, July 27, 2016 10:50 AM

To: Elliott,Earl

Subject: WWU DEBT SERVICE COVERAGE CALCS

CITY CLERK

Members of Council, Since the Sanitary Board passed the storm water fee resolution by a 3-2 vote this morning, I thought I should get the attached document out to you.

The attachment contains calculations if the 15% increase in revenue contained in the February 10,2016 agreement with the SRF took place. It also contains a calculation of what the allowable PILOT payment to the general fund could be if there is no new revenue and the and the 125% debt service coverage requirement is met..

I have also included information on Requirements, Flexible Financial Components, and Questions and Observations that I have.

If anyone has questions, please let me know.

Michelle, If this is a public document since it was sent to all Council members, please post on website as the law requires.

Earl

Terre Haute Indiana Sanitary District
Waste Water Utility
Analysis of Pro Forma Debt Service Coverage
Including Sanitary Transfers and PILOT
\$4,600,000 of New Revenue

REQUIREMENTS:

- A. The financial budgeted amounts must satisfy the 125% debt service coverage requirement contained in the State Revolving Fund (SRF) loan agreements.
- B. A minimum 15% revenue increase is required by the February 10, 2016 agreement with the SRF. The amount is \$4,200,000 (\$28,000,000 x 15%) plus \$400,000 of revenue reduction from recent change in rates to users that are on wells or \$4,600,000 in total.

We calculate a 16.9% rate increase is needed to raise the \$4,600,000. The calculation is as follows:

<u>%</u>	<u>Gross Billings</u>		<u>Collection Rate</u>		<u>Collections</u>
100.0%	\$ 28,783,069	x	94.5%	=	\$ 27,200,000
<u>16.9%</u>	<u>4,867,725</u>	x	94.5%	=	<u>4,600,000</u>
<u>116.9%</u>	\$ <u>33,650,794</u>	x	94.5%	=	\$ <u>31,800,000</u>

FLEXIBLE FINANCIAL COMPONENTS:

- A. The amounts of the PILOT paid to the City's General Fund by the Waste Water Utility (WWU).
- B. The amount of the Administrative Fees paid to the City's General Fund by the WWU.
- C. The timing of the transfers to the Sanitary District Operating Fund that are used primarily for maintenance.
- D. The timing of the transfers to the Sanitary Bond Fund that are used for bond and interest payments.

QUESTIONS AND OBSERVATIONS:

- A. How much of a PILOT fee and Admin fee could the \$4,200,000 of new revenue support while satisfying the 125% debt service coverage ratio? See attached schedule. You will note aggressive frontloading of the \$1,000,000 annual transfers to the Sanitary District General Fund and the revenue offset for estimated circuit breaker losses to the Sanitary District Bond Fund.

Terre Haute Indiana Sanitary District
Waste Water Utility
Analysis of Pro Forma Debt Service Coverage
Including Sanitary Transfers and PILOT
\$4,600,000 of New Revenue
- Continued -

- B. What is the current best estimate of the date that funding the debt service for the \$43,000,000 in bonds to be issued soon to fund Phase 2 of the LTCP must begin? Council is being asked to raise revenue now for this but it is not needed for that purpose just yet. If we begin to raise it ahead of time, what will it be used for? Can it be set aside for future debt service reserve payments on these bonds?
- C. Since debt service and debt service reserve payments were made late in 2015 and \$3,000,000 is being held in escrow by the SRF as a result, consider fully funding the debt service reserve account ahead of time using a portion of the \$3,000,000. I estimate the amount to do this to be \$139,000 per month times 17 months or \$2,363,000. We will then no longer have the \$139,000 monthly payments. I believe the SRF would look very favorable on this.
- D. There is a Sanitary District bond issue with annual debt service obligations of some \$7,600,000 per year that pays off in January, 2019. This is a property tax bond. Will a subsequent bond issue funded by this property tax revenue stream be sufficient to fund the remaining phases of the Long Term Control Plan (LTCP)?
- E. See enclosed schedule of 2016 Revised Calculation of debt service coverage ratio indicating reduction in PILOT to about \$1,738,000 is necessary to meet the 125% debt service coverage ratio requirement assuming there is no increase in 2016 revenue.

Terre Haute, Indiana Sanitary District
Wastewater Utility
Analysis of Pro Forma Debt Service Coverage
Including Sanitary Transfers and PILOT
\$4,600,000 of New Revenue

		2017	2018	2019	2020
Components of numerator:					
User fees	A	\$ 27,158,600	\$ 27,158,600	\$ 27,158,600	\$ 27,158,600
Other fees	G	441,400	441,400	441,400	441,400
New revenue	B	4,600,000	4,600,000	4,600,000	4,600,000
		<u>32,200,000</u>	<u>32,200,000</u>	<u>32,200,000</u>	<u>32,200,000</u>
Operating disbursements - general	C	(10,890,485)	(11,108,000)	(11,330,000)	(11,560,000)
Operating disbursements - admin fee to GF	C	(732,000)	(732,000)	(732,000)	(732,000)
PILOT payment to GF	D	(3,350,000)	(3,350,000)	(3,350,000)	(3,350,000)
Transfer to Sanitary District	E	(2,750,000)	(950,000)	(300,000)	-
Revenue offset for estimated circuit breaker losses	F	(901,567)	(561,567)	(221,566)	-
Proposed BAN payments	G	(210,000)	(52,500)	-	-
Numerator		<u>\$ 13,365,948</u>	<u>\$ 15,445,933</u>	<u>\$ 16,266,434</u>	<u>\$ 16,558,000</u>
Components of denominator:					
Debt service for O/S revenue supported bonds	G	\$ 10,688,900	\$ 10,700,300	\$ 10,708,300	10,723,100
Debt service for proposed revenue supported bonds	G	-	1,652,000	2,206,400	2,433,500
Denominator		<u>\$ 10,688,900</u>	<u>\$ 12,352,300</u>	<u>\$ 12,914,700</u>	<u>\$ 13,156,600</u>
Ratio = Numerator ÷ Denominator		<u>125.0%</u>	<u>125.0%</u>	<u>126.0%</u>	<u>125.9%</u>
Required ratio		<u>125.0%</u>	<u>125.0%</u>	<u>125.0%</u>	<u>125.0%</u>

- A. Reduced by \$400,000 to reflect ordinance passed reducing rates for non-metered users.
- B. Represents (\$28,000,000 x 15%) + \$400,000. The \$28,000,000 x 15% intended to satisfy SRF requirement.
- C. Per updated 2017 WWU projected budget obtained from City Administration. 2% increases for general disbursements of future years.
- D. Forced amount to achieve debt service coverage ratio.
- E. Total of this line is \$4,000,000 or \$1,000,000 per year. Front-loaded to achieve debt service coverage ratio requirements in all years.
- F. \$1,684,700 total. Front-loaded to achieve debt service coverage ratio requirements in all years.
- G. Same amounts per year as used in prior schedules.

Terre Haute, Indiana Sanitary District
Wastewater Utility
Analysis of Pro Forma Debt Service Coverage
Including Sanitary Transfers and PILOT
No New Revenue

		<u>2016</u>
Components of numerator:		
User fees	A \$	27,358,600
Other fees	D	441,400
New revenue		-
		<u>27,800,000</u>
Operating disbursements - general	B	(10,640,000)
Operating disbursements - admin fee to GF	B	(732,000)
PILOT payment to GF	C	(1,738,000)
Transfer to Sanitary District	B	(1,000,000)
Revenue offset for estimated circuit breaker losses	B	(110,000)
Proposed BAN payments	D	(210,000)
Numerator	\$	<u><u>13,370,000</u></u>
Components of denominator:		
Debt service for O/S revenue supported bonds	D \$	10,688,900
Debt service for proposed revenue supported bonds	D	-
Denominator	\$	<u><u>10,688,900</u></u>
Ratio = Numerator ÷ Denominator		<u><u>125.1%</u></u>
Required ratio		<u><u>125.0%</u></u>

- A. Reduced by \$200,000 to reflect ordinance passed reducing rates for non-metered users.
- B. Per updated 2016 WWU projected budget obtained from City Administration.
- C. Forced amount to achieve debt service coverage ratio.
- D. Same amounts per year as used in prior schedules.